

**TOWN OF STEILACOOM**  
**Pierce County, Washington**  
**January 1, 1991 Through December 31, 1991**

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**Schedule Of Findings**

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1. The Town Needs To Comply With All Requirements Of The Drug-Free Workplace Act Of 1988

As mentioned in our last audit report, the town still has not complied with all of the requirements of the Drug-Free Workplace Act of 1988. The town's drug-free workplace policy does not include all the necessary notifications and timetables required by the act.

In addition, the town has not made the required act certification to Bonneville Power Administration (BPA). The certification requirement applies to the BPA Residential Weatherization Program, Contract No. DE-MS79-90BP93018 effective October 1, 1990.

The General Requirements of the *Compliance Supplement for Single Audits of State and Local Governments* requires that:

All grantees receiving grants . . . from any Federal agency must certify that they will provide a drug-free workplace. Making the required certification has been a precondition of receiving a grant from a Federal agency since March 18, 1989.

Without an adequate drug-free workplace policy, the town is not in compliance with federal compliance requirements.

A proposed policy was written, however, it was not adopted and it does not contain all of the required notification provisions.

We recommend the town expand their proposed drug-free workplace policy to include all required notifications and timetables, adopt the policy, and certify to all federal agencies from whom they receive direct federal financial assistance that they have established a drug-free workplace.

2. The Annual Report Should Be Accurately Prepared

Our review of the town's annual report disclosed the following financial statement errors and omissions:

- a. As described in Note 6 of the Notes to the Financial Statements, the town has not established fixed asset detail records for a general fixed asset account group. Accordingly, no general fixed assets account group is presented in the financial statements. Fixed assets consist of property, plant, and equipment.
- b. The accuracy of the enterprise funds fixed assets was affected by the following: Labor costs of installing water pipes, pumps, and other water system equipment have not been capitalized. None of the costs associated with water meters, fire hydrants, or pressure reduction valves have been capitalized. The town estimated the purchase cost of many assets by reducing the current replacement cost by changes in the consumer price index. However, testing found that the town used incorrect index numbers to reduce the asset costs.

Due to other errors and omissions, the town had to restate and reissue the financial statements four times.

RCW 35.27.220 states that the town clerk:

At the end of every fiscal year . . . shall make a full and detailed statement of receipts and expenditures of the preceding year and a full statement of the financial condition of the town which shall be published.

RCW 43.09.200 authorizes the State Auditor to prescribe a system of accounting and reporting for local governments. This is done in the *Budgeting, Accounting and Reporting System* (BARS) manual provided to the town.

RCW 43.09.230 requires the annual financial report to be accurate and complete.

The omission of the General Fixed Assets Account Group is a departure from generally accepted accounting principles and does not provide full disclosure in the town's financial statements.

Failure to capitalize all costs of placing fixed assets into service is a departure from generally accepted accounting principles. Use of incorrect price index numbers to compute asset costs causes accounting estimate errors. We could not reasonably determine the effect of the above errors on the Combined Enterprise Fund's Statements of Position, Operations, and Cash Flows. We also could not determine the effect on related depreciation.

Without complete and accurate financial statements, the public may not be adequately informed as to the results of operations of the town. Also compliance with bond covenants cannot be determined.

Category 2 towns, such as the Town of Steilacoom, are not required to prepare financial reports in full compliance with generally accepted accounting principles. However, the town's administration elected to prepare a more comprehensive financial report as required for Category 1 cities.

The town established detailed assets records for the Enterprise Funds and Internal Service

Fund in preparation for the 1991 audit. However, because of the problems noted above, the town's financial statements still do not meet either the requirements for reporting a Category 2 city/town or the more comprehensive Category 1.

Some of the errors and omissions which required restatement of the financial statements resulted from not following reporting standards as set forth in the BARS manual.

We again recommend the town establish written procedures to ensure that the financial statements are prepared accurately and completely.

3. Annual Reports Should Be Completed And Filed On A Timely Basis

As noted in our 1990 audit, the town's annual report was not completed and filed timely with the Washington State Auditor's Office. The 1991 report was filed for audit on November 18, 1992.

RCW 43.09.230 states in part:

. . . reports shall be prepared, certified, and filed with the division within one hundred fifty days after the close of each fiscal year.

When financial reports are not prepared and filed as required, the users of these reports are denied access to the town's financial information. In addition, when the town's financial statements are not available in a timely manner, the audit time and costs are significantly increased and the information may be excluded from the annual volume of local government comparative statistics which is provided to the state legislature as mandated by RCW 43.09.230.

The delay in the preparation and filing of these reports appears to be due to the following:

- a. Inadequate staffing and a change in accounting staff during 1991.
- b. The town placed a higher priority on management of accounting and resources than was placed on the completion of the annual report.

We again recommend that annual reports be prepared and submitted within the prescribed reporting period.

4. Street Report Should Be Accurately Prepared

As reported in our last audit report for the year 1991, the town submitted a substantially inaccurate street cost report to the Department of Transportation.

RCW 35.21.260 requires each city and town to submit such a report. ` This is to allow for the preparation of an annual report compiling such information from all reporting entities in order to give the department and legislature data with which to plan and evaluate.

Inaccurate data in this report may adversely affect city streets planning and evaluation decisions.

The main cause of these inaccuracies was insufficient resources devoted to the preparation and subsequent review of the report.

We recommend that the town provide sufficient resources to ensure the accurate preparation of the annual street cost report.